

Millennium Challenge Corporation

Reducing Poverty Through Growth



COUNTRY : SRI LANKA
STATUS : DUE DILIGENCE

LAST UPDATE : AUGUST 2006

GENERAL INFORMATION

Population	19,419,190*
GNI Per Capita	\$1,160*
Location	South Asian island in the Indian Ocean
Proposed Compact Amount	\$590 million [†]

COMPACT GOAL

The goal of the Proposal is to reduce poverty by fostering economic growth in targeted areas where poverty is particularly acute. The Government of Sri Lanka has proposed: construction of major irrigation projects to increase agricultural production in the dry season and to raise farmer incomes in the poorest regions of the country; rehabilitation of roads to improve cost effective access to markets; and provision of focused assistance to the development of small enterprises and industries. MCC is in the process of conducting a detailed evaluation and assessment of the Government's Proposal.

EXPECTED RESULTS

- The Government of Sri Lanka has stated in its Proposal that its specific goal is to "reduce the number of poor people from about 4.4 million to 3 million over the next five years, which implies that the poverty rate would decline from 23 percent to 15 percent."
- MCC understands that the Government of Sri Lanka intends to accomplish its stated overall goal by means of poverty reduction programs in addition to a potential Millennium Challenge Compact.

COMPACT PROCESS

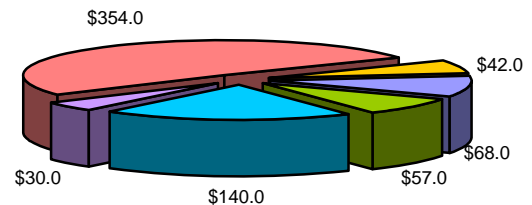
DATE

Eligibility Notification	<input checked="" type="checkbox"/>	May 6, 2004
Proposal Receipt	<input checked="" type="checkbox"/>	August 1, 2005
Opportunity Memo	<input checked="" type="checkbox"/>	August 18, 2005
Congressional Notification on Compact Negotiations		
Investment Memo		
Board Approval		
Compact Signing		
Entry into Force		
Initial Disbursement		

PROPOSED ACTIVITIES BY KEY SECTORS

(IN MILLIONS)

- Rural Electrification
- Industrial Park Infrastructure
- Program Administration
- SME Development
- Rural Roads
- Irrigation



UPDATE ON PROGRESS

- MCC has been extensively engaged with the Government of Sri Lanka and other partners on Sri Lanka since December 2004. This engagement has included regular travel and consultation with government, donors, private sector, civil society, and other parties.
- The Government of Sri Lanka undertook extensive nationwide consultative discussions during the summer of 2005 and submitted their final Compact Proposal in August 2005.
- MCC began preliminary assessments in September, prior to the November 17 presidential vote. Full technical and economic due diligence was launched in December 2005 immediately after the elections.
- President Rajapakse's government requested that MCC consider some modifications to the Proposal within the priority areas identified in the public consultative process and with the goal of increasing the expected economic impact of the program.
- These program modifications include: the addition of a new irrigation project; focused assistance on the roads component; and modifications to the SME and industrial development program to include training and development. The Government has also proposed a crop diversification project to enhance the economic impact of the proposed irrigation projects and to help ensure improved livelihoods for farmers.

* World Development Indicators, World Bank, 2005

[†] Excluding Government of Sri Lanka proposed funding of \$100 million